

## **INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES**

**Organisation:** Griffith City Council

**Date Received:** 26 April 2024

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The Chair  
Hon. Emily Suvaal MLC  
Standing Committee on State Development

Dear Chair,

**SUBMISSION - INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENT TO FUND INFRASTRUCTURE AND SERVICES**

Thank you for the opportunity to make a submission to the Inquiry into the ability of local government to fund infrastructure and services. Council makes the following comments with regard to the Terms of Reference as published.

- (a) The level of income councils require to adequately meet the needs of their communities.

Comments: The level of income required by Councils is specific to each Local Government Area (LGA) and as a direct consequence of comprehensive engagement and priority setting with their own community. In 2009, the NSW Government initiated the Integrated Planning and Reporting (IP&R) Framework for Local Government. This framework has been widely accepted across the Local Government Sector as a robust process that greatly improved strategic planning of local government. From that point forward, Councils have focused on engaging closely with their respective community to determine priorities for action and the resourcing of those actions. The level of income required of each council is therefore directly linked to the Community Strategic Plan, Delivery Plan (4 Years) and Operational Plan (Annual Budget) adopted through the IP&R Framework. Elected Councillors should be provided with the authority to determine the resources required to meet community aspirations through that robust Strategic Planning process.

- (b) Examine if past rate pegs have matched increases in costs borne by local governments.

Comments: The funding model of Local Government in NSW is broken and a substantial driver of this failure is rate pegging. Annual rate peg limits have consistently failed to match the actual cost increases of the local government sector.

- (c) Current levels of service delivery and financial sustainability in local government, including the impact of cost shifting on service delivery and financial sustainability, and whether this has changed over time.

Comments: During the last decade in particular, the majority of Councils in NSW have been required to implement a Special Rate Variation. Some Councils have increased rates above the rate peg limit to fund new infrastructure projects but increasing, Special Rate Variations have become necessary for Councils just to remain financially sustainable from a service delivery perspective. The key drivers that have rendered the local government sector financially unsustainable have been well documented and advocated over many years and include; 1. Rate peg increases not matching actual cost increases of service delivery and asset depreciation, 2. Cost shifting onto Local Government by other levels of Government, 3. Diminishing annual recurrent grants from the Australian Government.

- (d) Assess the social and economic impacts of the rate peg in New South Wales for ratepayers, councils, and council staff over the last 20 years and compare with other jurisdictions.

Comments: Rate pegging is generally supported by the community but history has demonstrated (via the numerous Special Rate Variation applications implemented during the last decade) that rate pegging only postpones the inevitable. This deterioration of the financial position of the Local Government sector has been accentuated by unabated cost shifting and operational grant reductions.

- (e) Compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils and council staff.

Comments: The alternative to rate pegging is for the elected Councilors to determine rate income levels in accordance with their respective community preparedness and capacity to pay. All three levels of government are elected by the same constituents and as such these constituents should, through their elected councillors, set rate levels to meet their expectations.

- (f) Review the operation of the special rate variation process and its effectiveness in providing the level of income Councils require to adequately meet the needs of their communities.

Comments: The process Councils are required to follow to apply for and implement a Special Rate Variation is onerous and lengthy therefore Councils often delay an application until the quantum of the increase required to reset the financial plan is large. Essentially, rate payers are subject to "bill shock" as Councils postpone Special Rate Variation applications longer than they should.

- (g) Any other related matters.

Comments: No other comments.

Thank you again for the opportunity to make this submission.

Yours sincerely,

**BRETT STONESTREET PSM**  
**GENERAL MANAGER**